

Message Text

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TAGS: BEXP, NI

SUBJ: SAPELE POWER PROJECT

REF: STATE 9761

SUMMARY: GE REPS HAVE REPORT THAT AT JANUARY 17 MEETING NEPA BOARD CONSIDERED REPRESENTATIONS AMBASSADOR MADE IN SUPPORT GE BUT NONETHELESS REACHED CONSENSUS IN FAVOR AWARDDING SAPELE CONTRACT TO BROWN BOVERI. REPORTEDLY CONTROLLING FACTOR WAS GE'S POOR PERFORMANCE ON UGHELLI POWER PLANT, WHERE GAS TURBINES START UP ALREADY MONTHS OVERDUE. END SUMMARY.

1. FOLLOWING ON JANUARY 16 CONVERSATION WITH GE REPS KITTREDGE AND CULL, AMBASSADOR UNDERTOOK REPRESENTATIONS TO MINISTRY AND NEPA BOARD IN SUPPORT GE, POINTING TO GE'S LOW BID AND ITS KNOWN TECHNICAL COMPETENCE. GE HAS REPORT THIS EXPRESSION OF USG INTEREST WAS MADE KNOWN TO ALL MEMBERS OF NEPA BOARD AT ITS JANUARY 17 MEETING AND MINISTRY SOURCE TOLD US SAME THING JANUARY 21.

2. THERE HAS BEEN NO ANNOUNCEMENT NEPA DECISION AND WE DO NOT HAVE FIRST HAND REPORT OF JANUARY 17 MEETING. HOWEVER, GE REPS HAVE CONFIDENTIAL REPORT THAT AFTER LENGTHY DISCUSSION, CONSENSUS AMONG NEPA BOARD IN FAVOR AWARDDING CONTRACT TO BROWN BOVERI.

3. ACCORDING GE REPORT NEPA BOARD CONSIDERED AND APPARENTLY LIMITED OFFICIAL USE

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ACCEPTED ON JANUARY 17 ARGUMENTS THAT GE REPS HAD MADE

SEPARATELY TO SELECTED BOARD MEMBERS IN ADVANCE OF MEETING IN EFFORT REBUT ERRORS AND MISSTATEMENTS CONTAINED IN CONSULTANT'S EVALUATION REPORT AND ON BASIS OF WHICH CONSULTANT HAD DENIGRATED GE'S EXPERIENCE AND TECHNICAL CAPABILITY THIS PROJECT AND RECOMMENDED AWARD TO BROWN BOVERI. ACCORDING TO GE'S INFORMATION BOARD DISCUSSIONS SUBSTANTIALLY REFUTED OR CORRECTED ELEMENTS IN EVALUATION REPORT THAT GE HAD CONSIDERED MOST DAMAGING.

4. GE REPS UNDERSTAND THAT FACTOR THAT LED NEPA BOARD TO FAVOR BROWN BOVERI IN SPITE OF GE'S SUBSTANTIALLY LOWER BID WAS POOR GE PERFORMANCE ON UGHELLI PROJECT AS CONTRASTED BROWN BOVERI'S PERFORMANCE RECORD IN NIGERIA. GE CURRENTLY NEARLY 5 MONTHS LATE IN GETTING FIRST UGHELLI TURBINES ON STREAM. ACCORDING GE INFORMATION, UGHELLI DELAY DISCUSSED AT LENGTH ON JANUARY 17 AND AS WE UNDERSTAND IT, THIS DELAY MOSTLY ATTRIBUTED TO GE, AND GE HAD EARLIER CONCEDED AS MUCH IN LETTER TO NEPA.

5. IN JANUARY 20 CONVERSATION WITH AMBASSADOR GE REP (ESPOSITO) INDICATED GE'S LOCAL REPRESENTATIVE WOULD CONTINUE HIS EFFORTS WITH NEPA BOARD MEMEBERS, WITH AIM OF DEFERRING FORMAL AND FINAL AWARD TO BROWN BOVERI. GE APPARENTLY HOPES THAT IF FORMAL AWARD DEFERRED FOR FEW WEEKS GE'S CURRENT EFFORT AT UGHELLI, WHERE IT IS ENGAGED IN EXPENSIVE CRASH PROGRAM TO GET TURBINES IN OPERATION BY EARLY FEBRUARY, MIGH IMPRESS NEPA TO POINT THAT IT WOULD RECONSIDER ITS REPORTED PREFERENCE FOR BROWN BOVERI.

6. GE REPS UNDERSTANDABLY DISMAYED AT REPORTED CONSENSUS IN FAVOR BROWN BOVERI AND FEARFUL THAT AS RESULT GE MANAGEMENT MAY REVISE PLANS THAT IT HAD MADE FOR CONCERTED EFFORT IN NIGERIAN MARKET INCLUDING ESTABLISHMENT OF LAGOS OFFICE. AS KITTREDGE PUT IT, " IF GE CANNOT OBTAIN AWARD WHEN ITS BID ON EVALUATED BASIS APPROXIMATELY 30 PERCENT LOWER THAN NEAREST RIVALS, WE HAVE TO LOOK AGAIN AT WISDOM OF FOCUSSING TIME AND MONEY ON NIGERIAN MARKET."

7. WE WOULD ALSO BE DISMAYED IF OUTCOME THIS MATTER SUGGESTS THAT U.S. FIRM WITH PROVEN AND COMPARABLE CAPABILITY LIMITED OFFICIAL USE

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BILITY AND SUBSTANTIALLY LOWEST BID UNABLE TO WIN AWARD FROM NEPA AND WOULD WISH TO CONTEMPLATE APPROPRIATE REPRESENTATIONS TO FMG. HOWEVER, IN LIGHT NEPA BOARD'S LENGTHY AND REPORTEDLY RESPONSIBLE DISCUSSION OF SUBJECT AND ALSO IN FACE GE VULNERABILITY ON UGHELLI WE BELIEVE FURTHER REPRESENTATIONS AT THIS JUNCTURE LIKELY BE CONSTRUED AS INTERFERENCE IN NIGERIAN AFFAIRS AND PROVE COUNTER PRODUCTIVE.

8. WE WILL REPORT DEVELOPMENTS.
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